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**RURAL LEADERSHIP COALITION – PRESERVING AND ADVANCING  
UNIVERSAL SERVICE IN RURAL AMERICA**

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November 10, 2000

Magalie Roman Salas, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW TW-A325  
Washington, DC 20554

Subject: Rural Leadership Coalition draft rules regarding Rural Task Force  
Recommendation (CC Docket No. 96-45)

Dear Ms. Salas:

The Rural Task Force has transmitted its recommendation to the Joint Board on Universal Service. The Rural Task Force recommendation along with the recent MAG proposal provides substantive recommendations for long-awaited rural carrier high cost universal service reform. It is critical that the Joint Board and FCC act quickly on these recommendations to ensure the current momentum is not lost. The Rural Leadership Coalition (RLC) is an informal group of industry and public interest representatives established specifically to facilitate the immediate implementation of high cost universal service reforms including those proposed by the Rural Task Force to the Joint Board.

The Rural Leadership Coalition (RLC) recognizes that in order to implement the Rural Task Force's recommendations that changes will need to be made in the Code of Federal Regulations. To assist the Joint Board and the FCC in further evaluating the recommendations and to appropriately codify those recommendations within the FCC rules, the RLC has developed proposed rules to implement these recommendations. In doing so, the RLC recognizes that some of the recommendations are specific and can be directly translated into specific rule language. Other recommendations were made in the form of principles that should be followed, but require specific decisions by the Joint Board and/or FCC to implement those principles.

The rules attached are segmented into two sections, reflecting these differences. In the case of the specific recommendations, proposed amendments to the Code of Federal Regulations have been made and are included as Attachment 1. In the case of recommendations made in terms of principles that should be followed, rather than specific proposals, proposed rules cannot be specifically identified since the method(s) chosen to implement these principles may impact the rules differently. The RLC in these cases has attempted to at least identify sections of the rules that might be impacted by specific proposals. In some of these circumstances illustrative rules have been created to demonstrate how the rules might change under one or more assumptions regarding how

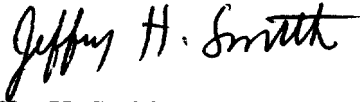
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the principles were turned into specific recommendations. These illustrative rules are contained in Attachment 2.

If you have any questions concerning these draft rules, please contact me at 503-612-4409 or email me at [jsmith@gvnw.com](mailto:jsmith@gvnw.com).

Sincerely,



Jeffrey H. Smith

*The following additional parties desire to be included as signatories to this document.*

William R. Gillis, WUTC  
Robert C. Schoonmaker, GVNW Consulting, Inc.  
Evelyn Jerden, Western New Mexico Telephone Company  
Christopher A. McLean, Rural Utilities Service, USDA  
Jack Rhyner, TelAlaska  
David L. Sharp, Innovative Communication Corporation  
Mark Lemler, AT&T  
Glenn H. Brown, McLean & Brown  
Ellensburg Telephone Company  
Washington Independent Telephone Association Rural Coalition  
The Western Alliance  
YCOM Networks, Inc.

Copies to Senate Minority Leader Thomas A. Daschle, Senator John B. Breaux, Senator Sam Brownback, Senator Byron Dorgan, Senator Slade Gorton, Senator Blanche L. Lincoln, Senator Jay Rockefeller, Senator Ted Stevens, Senator Ron Wyden

Copies to Chairman William Kennard, Commissioner Susan Ness (FCC Joint Board Chair), Commissioner Harold Furchgott-Roth, Commissioner Gloria Tristani, Commissioner Michael Powell

Copies to Kathryn C. Brown, Dorothy Attwood, Carol Matthey, Katherine Schroder, Gene Fullano, Sheryl Todd (with diskette)

## ATTACHMENT 1

This attachment contains specific proposed amendments to the Code of Federal Regulations that are appropriate to implement specific recommendations made by the Task Force in its Recommended Decisions submitted to the Joint Board on September 29, 2000.

### PROPOSED AMENDMENTS TO THE CODE OF FEDERAL REGULATIONS

#### PART 36

##### Subpart F – Universal Service Fund

Section 36.601 (c) is amended by adding to the existing text the following:

The annual amount of the total loop cost expense adjustments for rural carriers shall consist of the loop cost expense adjustments, including amounts calculated pursuant to sections 36.612(a) and 36.631. Beginning January 1, 2001, the portion of the High Cost Loop (HCL) fund for Rural Carriers will be separate from the non-Rural Carriers' portion of the fund and will be computed pursuant to sections 36.601(d) and (e).

Section 36.601 (d) is added as follows:

The rural carrier portion of the total loop cost expense adjustment will be recomputed by the fund administrator, at the level required for Rural Carriers as if the indexed fund cap and the corporate limitation had not been in effect for support for the calendar year 2000 (i.e., an amount computed to be \$118,500,000, based on 1998 calendar year data using the October 1, 1999 data submission). For the years 2001 and beyond, the Rural Carrier portion of the total loop cost expense adjustment will be calculated pursuant to 36.601(e) and 36.601(f).

Section 36.601 (e) is added as follows:

The annual amount for the period 2001 and each year beyond of the total rural carrier loop cost expense adjustment calculated pursuant to this subpart F shall not exceed the amount of the total rural carrier loop cost expense adjustment for the immediately preceding calendar year, times one plus the Rural Growth Factor (RGF) as calculated in 36.601(f). For 2001, the computation will be based on a recomputed loop cost expense adjustment calculated pursuant to 36.601(d). For purposes of the HCL rural carrier loop cost expense adjustment calculation, the national average loop cost is frozen at \$240.00, pursuant to 36.622(a). If the list of supported services as prescribed in 54.101 is revised, the Commission will resize the limitation, if any, on the rural carrier loop cost expense adjustment. For purposes of calculating the total rural carrier loop cost expense adjustment, any support paid to Competitive Eligible Telecommunications Carriers (CETCs) will be excluded from the indexed cap calculation.

Section 36.601(f) is added as follows:

The "Rural Growth Factor (RGF)" applied in 36.601(e) above is calculated in the following manner:

The RGF will be computed annually by the federal universal service fund administrator to determine the succeeding year HCL fund cap level for Rural Carriers. The RGF is equal to the sum of the annual percentage change in the Department of Commerce's Gross Domestic Product – Chained Price Index (GDP-CPI) plus the percentage change in the total number of Rural Carrier working loops during the calendar year preceding the July 31<sup>st</sup> filing. The rate of increase in total rural carrier working loops shall be based upon the difference between the number of total working loops on December 31 of the calendar year preceding the July 31<sup>st</sup> filing and the number of total working loops on December 31 of the second calendar year preceding that filing, both determined by the company's submission for the study area pursuant to section 36.611. For purposes of the calculation of "working loops for each study area" in Section 36.611(h), the fund administrator shall apply a consistent definition of Rural Carrier study areas in the numerator and denominator of the equation calculating the change in loop counts.

Section 36.601 (g) is added as follows:

Applicable to rural carrier study areas only, in any period in which the total rural carrier loop cost expense adjustment is limited by the provisions of 36.601(e), the Administrator will determine if any individual study areas qualify for a "safety net additive". The "safety net additive" calculation is triggered when any study area realizes growth in end of period Telecommunications Plant in Service (TPIS), as prescribed in 32.2001, on a per loop basis, greater than or equal to 14 percent more than the study area TPIS per loop at the end of the prior period. In any period that the indexed cap is invoked, the "safety net additive" for each study area is equal to 50 percent of the difference between the amount of loop cost expense adjustment for the study area as limited by 36.601(e), and the amount of the loop cost expense adjustment absent the limiting factors as prescribed in 36.601(e) for that year. The "safety net additive" is paid to each eligible study area in addition to the capped loop cost expense adjustment for sixty (60) months, regardless of whether it meets the 14 percent criteria in subsequent years. The sixty (60) month period for the "safety net additive" re-commences each time the 14 percent criteria is met. The "safety net additive" is an amount over and above the limitation imposed by 36.601(e). In no event will the study area receive more from the loop cost expense adjustment plus the "safety net additive" than it would have been received absent the limitation imposed by 36.601(e) for that year.

Section 36.621 (a)(4) is amended as follows:

Revise the last sentence of 36.621(a)(4) to read as follows:

Total Corporate Operations Expense, for purposes of calculating universal service support payments beginning January 1, 2001, shall be limited to the lesser of (i) or the larger of (ii) or (iii):

Revise the first sentence of 36.621(a)(4)(ii) to read as follows:

(ii) a per-loop amount computed according to paragraphs (a)(4)(ii)(A), (a)(4)(ii)(B), and (a)(4)(ii)(C) of this section, with the dollar values in the applicable formula adjusted by the Administrator with a compensating adjustment using the RGF as computed in 36.601(f), for each year of data since the limitation was invoked. In each subsequent year, the dollar values will be adjusted annually by the RGF.

Add a 36.621(a)(4)(iii) that states as follows:

(iii) a per-loop amount computed by dividing the year 2000 uncapped corporate operations expense by loops for each study area. The corporate operations expense per line will be multiplied by the number of loops to yield the corporate operations expense for purposes of 36.621. For 2001 and each subsequent year, the study area corporate operations expense amount per loop will be grown by multiplying the previous year's amount per loop times one plus the RGF. The corporate operations expense per loop will be multiplied by loops at the end of the study period to arrive at the calculated corporate operations expense.

Section 36.622 is amended by adding a sentence as the end of section (a) as follows:

Effective January 1, 2001, the national average unseparated loop cost per working loop is frozen at \$240.00, for purposes of rural carrier calculations in this section.

Add the following terms to the Part 36 Glossary:

**Competitive Eligible Telecommunications Carrier (CETC)** – A competitive eligible telecommunications carrier is a carrier that has been certified by the state commission or other appropriate regulatory authority as having met the requirements of an eligible carrier in that jurisdiction and is thus eligible for federal universal service support.

**High Cost Loop (HCL) Fund** – The High Cost Loop Fund refers to the rebased fund as detailed in 36.601(d).

**Rural Growth Factor (RGF)** – The Rural Growth Factor will be computed annually by the Administrator. The RGF is equal to the sum of the annual percentage change in the Department of Commerce's Gross Domestic Product – Chained Price Index (GDP-CPI) plus the percentage change in the total number of Rural Carrier working loops during the calendar year preceding the July 31<sup>st</sup> filing.

**Rural telephone company** – The term "rural telephone company" means a local exchange carrier operating entity to the extent that such entity – (A) provides common carrier service to any local exchange carrier study area that does not include either any

incorporated place of 10,000 inhabitants or more, or any part thereof, based on the most recently available population statistics of the Bureau of the Census; or any territory, incorporated or unincorporated, included in an urbanized area, as defined by the Bureau of the Census as of August 10, 1993; (B) provides telephone exchange service, including exchange access, to fewer than 50,000 access lines; (C) provides telephone exchange service to any local exchange carrier study area with fewer than 100,000 access lines, or: (D) has less than 15 percent of its access lines in communities of more than 50,000 on the date of enactment of the Telecommunications Act of 1996.

**Rural carrier** – For purposes of these rules, a rural carrier is an ILEC that meets the qualifications of a rural telephone company.

## **PART 54**

Section 54.207(c) is amended by adding a final sentence that reads:

In making this determination, the level of disaggregation of support pursuant to 54.308 should be considered in determining whether to certify a new ETC for a service area other than a full rural carrier ETC study area.

No changes proposed to Section 54.301.

No changes proposed to Section 54.303, except for corrections needed in GDP-CPI reference.

Section 54.308 is added as follows:

### **54.308 Calculation and distribution of portable support for rural carriers and CETCs**

- (a) Effective January 1, 2001, in areas served by Rural Carriers where a CETC has not submitted the number of working loops it serves in a service area to the Administrator, the per line support available to the CETC would be determined pursuant to the disaggregation methods described in Section 54.308 (k). Until such reporting of working loops is made to the Administrator by the CETC, monthly support will continue to be paid to the ILEC based on the annual support as provided in Section 36.631, Section 54.301, Section 54.303, and any other explicit support mechanisms, divided by 12.
- (b) In study areas where a CETC has been approved and the CETC is providing service, the universal service support HCL payments per loop to the ILEC and CETC serving the study area will be the same, based on the frozen level of ILEC support as calculated in 54.308(c). The per line support will be recalculated whenever the ILEC's total annual support amount changes using the changed support amounts and working loops at that date. If the CETC discontinues provision of service in the study area, the per line support will be calculated in accordance with 54.308(a).

- (c) The disaggregated HCL support per loop is frozen based on the data for the twelve month period ending with the end of the quarter prior to the quarter in which the CETC first reports working loops to the Administrator to receive support, subject to adjustment as prescribed in 54.308(g). The ILEC is required to update their universal service support fund data, for the twelve months ended the quarter prior to the CETC submitting loops to the Administrator. The frozen annual support per loop is computed by taking the ILEC's support divided by the lines at the end of the same twelve-month reporting period. This frozen amount per loop is subject to disaggregation as prescribed in 54.308(k). The relative per line support relationships between disaggregation zones for each disaggregated category of support will remain fixed over time, subject to change as allowed in 54.308(k). Explicit support as calculated in 54.301, 54.303, and any other explicit support mechanisms is not affected by the provisions of this section.
- (d) The ILEC and CLEC support will be adjusted quarterly to reflect the actual count of working loops, subject to the ILEC and CETC submitting its data as prescribed in 54.307(b) and (c). The average of the prior quarter's data (beginning of quarter plus end of quarter divided by two) will be used for the count of working loops.
- (e) The HCL support per working loop will be modified annually by the RGF as prescribed in 36.601(f).
- (f) In a period when the overall indexed loop cost expense adjustment is restricted due to the provisions in 36.601(e) and (f), the ILEC HCL support payments related to HCL for the study area will be the lesser of the amounts calculated in sections 54.308(c) or 36.601(e) and (f).
- (g) An ILEC may adjust its frozen HCL per working loop support to recover the investment and expenses of catastrophic events affecting its ability to provide universal service as defined under 54.101. Such catastrophic events shall include hurricanes, floods, earthquakes, fires or other natural disasters evidenced by a declaration of natural disaster by state or federal authorities and which directly affect the ability of ETCs to deliver universal service as defined under 54.101. Any ILEC or CLEC serving the same area would receive the same amount of support per loop.
- (h) The ILEC's study area support available in total for a study area from the disaggregated method(s), as prescribed in 54.308(k), would equal the total support available without disaggregation. At the date when a CETC is certified for a study area, the per line amounts to determine the CETC's disaggregated support will be based on the ILEC's total support levels, lines, and disaggregated support relationships at that date as prescribed in 54.308(c). The support per line for each category of support for each disaggregation zone will be determined such that the relative support relationships between zones will be maintained and that the product of all of the ILEC's lines for each cost zone times the per line support for those zones will sum to the total ILEC support. The per line support for each zone will be

recalculated whenever the ILEC's total annual support amount changes using the changed support amounts and working loops at that date.

- (i) Rural carriers will choose between three options for targeting and disaggregating support. Each carrier will choose between options 1, 2, or 3 as detailed below, in 54.308(k), within 270 days from the date the final rules are published in the Federal Register. This selection must be communicated in writing to the Administrator.
- (j) The selection by a carrier of one of the options in 54.308(k) will be effective as follows: For the carrier support disaggregation options found in 54.308(k)(1) and 54.308(k)(3), the certification lasts for at least four years from the effective date, unless during that time the state commission or other appropriate regulatory authority requires, on its own motion or upon petition by an interested party, the disaggregation of support, grants eligibility (ETC) status below the study area level, state or federal laws or regulations change, or if a change in ownership occurs. If any of these events occur for a carrier that has selected 54.308(k)(1), that carrier may then choose between the options as prescribed in 54.308(k)(2) or 54.308(k)(3). For carriers that choose the option prescribed in 54.308(k)(2), the plan is effective until the appropriate regulatory authority approves a new plan. The options prescribed in 54.308(k)(2) and 54.308(k)(3) is subject to change or challenge at any time. The relevant regulatory administrative procedures, including but not limited to, burden of proof allocation and availability of discovery, will apply to such complaints.
- (k) Carriers have three options related to disaggregating federal universal service fund support.

*(1) For rural carriers that do not want to target federal universal service fund support:*

By the required filing date as specified in 54.308(i), the rural carrier will certify to the state commission, or other appropriate regulatory authority, that it does not want to disaggregate its federal universal service fund support as provided in Section 36.631, Section 54.301, Section 54.303, and any other explicit support mechanisms. The plan becomes effective upon filing with certification.

*(2) For rural carriers that want review and approval for targeting federal universal service fund support:*

By the required filing date as specified in 54.308(i), the rural carrier files a disaggregation plan with the state commission, or other appropriate regulatory authority, that disaggregates its federal universal service fund support as provided in Section 36.631, Section 54.301, Section 54.303, and any other explicit support mechanisms. Upon receipt of the filing, the regulatory authority may hold workshops, hearings, or other appropriate administrative proceedings in which interested parties may participate. Any such proceedings should be economically and administratively workable. The regulatory authority will then issue an order on targeting support, including a description of the zones, and a per line amount of federal universal service support for each element in each zone.



**(3) *For rural carriers that want to self-certify a method for geographic disaggregation:***

By the required filing date as specified in 54.308(i), the rural carrier files a disaggregation plan with the state commission, or other appropriate regulatory authority, that disaggregates its federal universal service fund support as provided in Section 36.631, Section 54.301, Section 54.303, and any other explicit support mechanisms. The plan becomes effective upon self-certified filing. At any time while in effect, the plan is subject to complaint by interested parties before regulatory authorities on the grounds that it does not comply with the requirements as prescribed in 54.308(k)(3)(i-v). The filing must be accompanied by a statement certifying that:

- (i) Plan disaggregates support to the wire center level, with further disaggregation of support into no more than two cost zones per wire center, unless there is a prior regulatory determination that a different level of disaggregation is appropriate.
- (ii) If the appropriate regulatory authority has previously adopted a method of disaggregation, the plan may use the rationale previously adopted.
- (iii) The plan uses a rationale that is reasonably related to the cost of providing service for each cost zone within each disaggregated category (Section 36.631, Section 54.301, Section 54.303, and any other explicit support mechanisms).
- (iv) If the plan uses a benchmark, it must be generally consistent with how the total study area level of support for each category of costs (Section 36.631, Section 54.301, Section 54.303, and any other explicit support mechanisms) is derived, to compare the disaggregated costs for determining support for each cost zone.
- (v) The filing must provide a description of the rationale used, including the methods and data, and a discussion of how the plan complies with the self-certification guidelines. The filing need not contain a complete cost study. If the plan uses a benchmark, the filing must explain what the benchmark is and how it was determined. The plan must show a per line amount of support for each disaggregated category (Section 36.631, Section 54.301, Section 54.303, and any other explicit support mechanisms) in each zone.

(1) Wireless carriers will use the customer's residential or business location as the basis for determining in which disaggregation zone the customer resides for purposes of federal universal service support implementation. The Commission, and other appropriate regulatory authorities, will review implementation of this section in order to prevent misuse of wireless customer locations so as to assure that federal universal service support is used in accordance with Section 254(e).

Section 54.313 is amended to add a section (d) as follows:

(d) *Other carriers.* All carriers that receive support as specified under 36.601, 54.301, 54.303, 54.308, and any other explicit support mechanism will be subject to the certification, certification format, and filing deadlines as specified under 54.313(a), (b), and (c).

#### 54.5 Glossary

Add the following terms to the Part 54 Glossary:

**Competitive Eligible Telecommunications Carrier (CETC)** – A competitive eligible telecommunications carrier is a carrier that has been certified by the state commission or other appropriate regulatory authority as having met the requirements of an eligible carrier in that jurisdiction and is thus eligible for federal universal service support.

#### PART 69

## ATTACHMENT 2

Some of the recommendations included in the Recommended Decision were made in terms of principles that should be followed or in more general terms that will require the Joint Board or FCC to make further specific determinations before rules can be fully identified. In these cases, the RLC cannot propose specific rules changes, since the RTF did not make decisions on the specific terms of these recommendations. However, to assist the Joint Board and FCC in preparing rule changes to implement these recommendations, the RLC has attempted to identify either areas of the rules or specific rules that might have to be modified. The RLC is not making any further recommendation regarding specifics that should be adopted, but illustrating the types of rule changes that could be required by a particular assumed course of action.

### ILLUSTRATIVE POSSIBLE CHANGES TO THE CODE OF FEDERAL REGULATIONS

#### **1. Advanced Services Recommendation –**

The Task Force recommends that the list of supported services should evolve to include access to information services at a rate that is reasonably comparable to that provided in urban areas. Plant that will provide access to advanced services will also provide access to information services at this rate.

Language may need to be added in a new section such as 54.321 as follows:

(a) The federal universal service fund should be sized so that it presents no barriers to investment in plant needed to provide access to advanced services. Specifically, to remain “sufficient” under the 1996 Act, the fund should be sized so that investment in rural infrastructure will be permitted to grow.

#### **2. Merger and Acquisition Recommendation –RTF Recommended Decision – Pages 29 and 30 and Appendix D**

The Task Force identified a number of principles that should be used in developing a specific method for providing a level of support to study areas that are acquired from non-rural companies and qualify as a rural study area. The Task Force recommends that the FCC establish an appropriate “safety valve mechanism” for rural carriers which acquire access lines due to sale or merger. Under this mechanism, rural carriers would receive, over a period of five years, support for new investments that enhance the infrastructure in rural exchanges. Appendix D of the Recommendation was provided to illustrate one example of implementing these principles. The illustrative rules below demonstrate how this method could be incorporated within the rules:

Section 54.305 is amended as follows:

Section 54.305 is amended as follows: (current section becomes (a) and new sections are added as follows):

(b) As of January 1, 2001, any sold or transferred exchanges acquired by an entity would be designated as a new study area within the state and would be deemed eligible to meet the definition of a "rural telephone company". Any federal universal service support provided to these study areas served by rural carriers would be excluded from the calculation of the rural carrier indexed HCL fund cap as determined in 36.601(d)-(f). In addition, the loops in these designated study areas would be excluded from the calculation of the RGF in 36.601(f).

(c) Universal service support transferable to the study area under the provisions of 54.305 would be available to these designated study areas.

(d) In addition to the universal service support available under 54.305 (note specific sections), additional HCL support related to new investment in these study areas would be provided in accordance with calculations as specified in (d) below:

(e) At the end of the first year of operations, a study area loop cost expense adjustment is calculated, and for purposes of this section, will be referred to as the "index year expense adjustment". At the end of each subsequent year, a study area loop cost expense adjustment will be calculated and compared to the "index year expense adjustment". Fifty (50) percent of any positive difference between the subsequent year calculation and the "index year expense adjustment" will be designated as the "sale/transfer safety valve loop cost expense adjustment" and will be provided as federal universal service support to the study area in addition to the amounts available under 54.305. *[The percentage listed is for illustrative purposes only, as the RLC has not taken a position on the appropriate recovery level.]*

(f) The sum of the "sale/transfer safety valve loop cost expense adjustment for all eligible study areas will not exceed five (5) percent of the rural carrier indexed HCL fund cap. The equivalent per loop support is considered portable to a CETC operating within the study area. *[The percentage listed is for illustrative purposes only, as the RLC has not taken a position on the appropriate recovery level.]*

### 3. HCF III Recommendation – RTF Recommended Decision – Pages 30-32

The Task Force recommendation in this area recognized the possibility that the FCC might adopt access reform measures for Rural Non-Price Cap Carriers to remove some amount of implicit support from interstate access rates and make it explicit. The Task Force recommendation adopted principles related to the creation of a universal service fund referred to as "HCF III" in the recommendation to provide explicit support if some amount of implicit interstate universal service support is identified in current interstate access charges of Rural Non-Price Cap Carriers. The following discussion illustrates areas of the FCC rules that might need change as a result of such decisions.

- a. Rules recognizing the establishment of an additional section of the overall universal service fund:

Section 54.304 is added as follows:

**54.304 Rural Carrier Access Support (RCAS)**

- (a) Beginning January 1, 2001, any rural eligible telecommunications carrier that assesses access charges based on 69.130 shall receive RCAS.
- (b) RCAS shall be computed for each study area annually by the Administrator.
- (c) RCAS shall be adjusted annually based on the annual interstate access filings of the Rural Carriers that are rate-of-return regulated. These annual adjustments to RCAS would continue until these carriers are no longer rate-of-return regulated, save for any low-end-type-adjustment. Rate-of-return carriers that shift to incentive regulation shall have a comparable hold harmless adjustment, but the Task Force takes no position at this time on the nature of that mechanism.
- (d) For rate-of-return rural carriers, RCAS shall be computed so that the total projected interstate common line and traffic sensitive access charge revenues, comprised of end user common line revenues pursuant to section 69.104, and RCAP revenues pursuant to section 69.130, plus Long-Term Support revenues received pursuant to section 54.303 plus the RCAS shall equal the projected interstate common line plus traffic sensitive revenue requirement for the same period. The RCAP revenues shall be the carrier common line and traffic sensitive revenues computed for the period 200x pursuant to sections 69.105, 69.106, 69.109, 69.110, 69.111, 69.112, 69.113, 69.120, and 69.124. Rural Carriers that shift to incentive regulation shall have a comparable computation for any low-end-type-adjustment.
- (e) The administrator shall calculate and distribute the RCAS on a per-line basis so that each participant will receive its projected interstate common line plus traffic sensitive revenue requirement for the period, subject to the portability and disaggregation requirements of 54.308.
- (f) The amount of RCAS is not subject to a capping mechanism.

- b. Rules related to changes in end user common line charges.

The Task Force made no determination whether such changes were appropriate or not. However, to the extent that a FCC proposal to reform access charges included changes in the end user common line charge changes would likely be appropriate in Sections 69.104(d)(1) and 69.104(e).

- c. Rules related to changes in carrier common line and traffic sensitive rates.

The Task Force made no recommendation as to what the per line carrier common line and traffic sensitive rates should be. However, to the extent that an FCC proposal to reform access charges included changes in the carrier common line and traffic sensitive charges extensive changes would possibly be needed in the rules related to these elements.

Section 69.1 (d) is added as follows:

(d) Effective on January 1, 2001 with the implementation of 69.130, the provisions as found in 69.105, 69.106, 69.109, 69.110, 69.111, 69.112, 69.113, 69.120 and 69.124 are constrained by section 69.130. The computation of rates pursuant to 69.130 shall be governed by the rules set forth in this chapter and other applicable Commission Rules and orders.

Section 69. 2 Definitions is amended as follows:

(ww) "Projected Interstate Common Line and Traffic Sensitive" revenue requirement shall be computed for each Rural Carrier study area pursuant to Sections 69.301 through 69.409.

(xx) "Rural Carrier Access Support (RCAS)" is the portable amount that shall be distributed to rural eligible telecommunications carriers. For rate-of-return carriers, it represents the difference between the projected interstate common line and traffic sensitive revenue requirements, as defined in this section, and the projected sum of 1) end user common line revenues pursuant to section 69.104, 2) RCAP carrier common line and traffic sensitive revenues pursuant to section 69.130 and 3) the Long-Term Support revenues received pursuant to section 54.303 for the same period. The RCAP revenues will be the carrier common line and traffic sensitive revenues computed for the period 20xx pursuant to sections 69.105, 69.106, 69.109, 69.110, 69.111, 69.112, 69.113, 69.120, and 69.124. Rural Carriers that shift to incentive regulation shall have a comparable computation for any low-end-type-adjustment.

(yy) "Rural Carrier Access Price (RCAP)" is the targeted composite or average rate which in aggregate the Commission determines ILECs should charge IXCs for interstate access service either through individual company or association tariffs.

(zz) "Rural Non-price cap Carrier" is a carrier that has not elected to be regulated by incentive regulation.

Section 69.130 is added as follows:

#### 69.130 Calculation of Rural Carrier Access Price (RCAP)

Concurrent with the implementation of section 54.304 and effective on January 1, 2001, the amounts assessed by exchange carriers, subject to this section, to interexchange carriers for the provision of exchange access, will be limited to an amount or composite

aggregate amount equal to \$0.0xx per minute or other appropriate unit. *[The rate listed is for illustrative purposes only, as the RLC has not taken a position on the appropriate rate level.]*

Subpart D – Apportionment of Net Investment  
Subpart E sections 69.401 – 69.409

d. Rules related to protection of consumers –

One of the principles adopted by the Task Force in relation to HCF III stated that, “Consumers should receive benefits from HCF III in the form of lower rates and/or greater choice.”